

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

May 3, 2021

3:21 p.m.

DRAFT

MEMBERS PRESENT

Representative Ivy Spohnholz, Co-Chair
Representative Calvin Schrage
Representative Liz Snyder
Representative David Nelson
Representative James Kaufman
Representative Ken McCarty

MEMBERS ABSENT

Representative Zack Fields, Co-Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 44

"An Act relating to the practice of accounting."

- HEARD & HELD

HOUSE BILL NO. 176

"An Act relating to insurance; relating to direct health care agreements; and relating to unfair trade practices."

- HEARD & HELD

SENATE BILL NO. 40

"An Act relating to veterans' benefits services and veterans' benefits appeal services."

- HEARD & HELD

HOUSE JOINT RESOLUTION NO. 19

Supporting widespread infrastructure investment in the state.

- MOVED CSHJR 19(L&C) OUT OF COMMITTEE

CONFIRMATION HEARING(S):

Alcoholic Beverage Control Board

David Koch - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Social Work Examiners

Sharon Woodward - Juneau

- CONFIRMATION(S) ADVANCED

Workers' Compensation Board

Pamela Cline - Wasilla

- CONFIRMATION(S) ADVANCED

PREVIOUS COMMITTEE ACTION

BILL: HB 44

SHORT TITLE: PRACTICE OF ACCOUNTING; LICENSURE

SPONSOR(S): REPRESENTATIVE(S) THOMPSON

02/18/21	(H)	PREFILE RELEASED 1/8/21
02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	STA, L&C
03/11/21	(H)	STA AT 3:00 PM GRUENBERG 120
03/11/21	(H)	Heard & Held
03/11/21	(H)	MINUTE(STA)
03/16/21	(H)	STA AT 3:00 PM GRUENBERG 120
03/16/21	(H)	Heard & Held
03/16/21	(H)	MINUTE(STA)
03/23/21	(H)	STA AT 3:00 PM GRUENBERG 120
03/23/21	(H)	Moved CSHB 44(STA) Out of Committee
03/23/21	(H)	MINUTE(STA)
03/24/21	(H)	STA RPT CS(STA) 6DP 1AM
03/24/21	(H)	DP: CLAMAN, STORY, KAUFMAN, VANCE, TARR, KREISS-TOMKINS
03/24/21	(H)	AM: EASTMAN
05/03/21	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 176

SHORT TITLE: DIRECT HEALTH AGREEMENT: NOT INSURANCE

SPONSOR(S): REPRESENTATIVE(S) RASMUSSEN

04/16/21	(H)	READ THE FIRST TIME - REFERRALS
04/16/21	(H)	L&C, HSS

05/03/21 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 40

SHORT TITLE: VETERANS' BENEFITS SERVICES; DISCLOSURE

SPONSOR(s): SENATOR(s) REVAK

01/25/21 (S) PREFILE RELEASED 1/15/21
01/25/21 (S) READ THE FIRST TIME - REFERRALS
01/25/21 (S) STA, L&C
03/04/21 (S) STA AT 3:30 PM BUTROVICH 205
03/04/21 (S) Heard & Held
03/04/21 (S) MINUTE(STA)
03/11/21 (S) STA AT 3:30 PM BUTROVICH 205
03/11/21 (S) Heard & Held
03/11/21 (S) MINUTE(STA)
03/18/21 (S) STA AT 3:30 PM BUTROVICH 205
03/18/21 (S) Moved SB 40 Out of Committee
03/18/21 (S) MINUTE(STA)
03/19/21 (S) STA RPT 4DP
03/19/21 (S) DP: SHOWER, HOLLAND, COSTELLO, REINBOLD
03/19/21 (S) OBJECTION (REGARDING REPORTING OUT OF
COMMITTEE PROCESS)
03/19/21 (S) POSTPONE QUESTION TO MARCH 24 Y14 N2
E3 A1
03/22/21 (S) OBJECTION WITHDRAWN (REGARDING
REPORTING OUT OF COMMITTEE PROCESS)
03/29/21 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/29/21 (S) Moved SB 40 Out of Committee
03/29/21 (S) MINUTE(L&C)
03/31/21 (S) L&C RPT 5DP
03/31/21 (S) DP: COSTELLO, REVAK, GRAY-JACKSON,
HOLLAND, STEVENS
04/09/21 (S) TRANSMITTED TO (H)
04/09/21 (S) VERSION: SB 40
04/12/21 (H) READ THE FIRST TIME - REFERRALS
04/12/21 (H) MLV, L&C
04/22/21 (H) MLV AT 1:00 PM GRUENBERG 120
04/22/21 (H) Heard & Held
04/22/21 (H) MINUTE(MLV)
04/27/21 (H) MLV AT 1:00 PM GRUENBERG 120
04/27/21 (H) Moved SB 40 Out of Committee
04/27/21 (H) MINUTE(MLV)
04/28/21 (H) MLV RPT 6DP
04/28/21 (H) DP: CLAMAN, RAUSCHER, TARR, STORY,
NELSON, TUCK
05/03/21 (H) L&C AT 3:15 PM BARNES 124

BILL: HJR 19

SHORT TITLE: SUPPORTING INVESTMENT IN INFRASTRUCTURE

SPONSOR(s): LABOR & COMMERCE

04/28/21	(H)	READ THE FIRST TIME - REFERRALS
04/28/21	(H)	L&C
04/28/21	(H)	L&C AT 3:15 PM BARNES 124
04/28/21	(H)	Heard & Held
04/28/21	(H)	MINUTE (L&C)
05/03/21	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE STEVE THOMPSON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As prime sponsor, introduced HB 44.

LYNETTE BERGH, Staff

Representative Steve Thompson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis and explanation of changes in the committee substitute for HB 44 on behalf of Representative Thompson, prime sponsor.

LESLIE SCHMITZ, CPA, Chair

Board of Public Accountancy

Division of Corporations, Business, and Professional Licensing

Department of Commerce, Community, and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Provided information and answered questions during the hearing on HB 44.

CORI HONDOLERO, Executive Administrator

Board of Public Accountancy

Division of Corporations, Business, and Professional Licensing

Department of Commerce, Community, and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Provided information and answered questions during the hearing on HB 44.

THOMAS NEILL, CPA, Chair

Uniform Accountancy Act Committee

American Institute of Certified Public Accountants

Seattle, Washington

POSITION STATEMENT: Provided information and answered questions during the hearing on HB 44.

LESLIE SCHMITZ, CPA
Board of Public Accountancy
Division of Corporations, Business, and Professional Licensing
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 44.

THOMAS NEILL, CPA, Chair
Uniform Accountancy Act Committee
American Institute of Certified Public Accountants
Seattle, Washington

POSITION STATEMENT: Testified in support of HB 44.

REPRESENTATIVE SARA RASMUSSEN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 176 as prime sponsor.

CRYSTAL KOENEMAN, Staff
Representative Sara Rasmussen
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis of HB 176 on behalf of Representative Rasmussen, prime sponsor.

RENEE GAYHART, Director
Division of Health Care Services
Department of Health & Social Services
Juneau, Alaska

POSITION STATEMENT: Provided information and answered questions during the hearing on HB 176.

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions and provided information during the hearing on HB 176.

WADE ERICKSON, MD, Owner
Capstone Clinic
Wasilla, Alaska

POSITION STATEMENT: Answered questions and provided information during the hearing on HB 176.

CLINT FLANAGAN, MD, Founder & Chief Executive Officer
Nextera Healthcare
Longmont, Colorado

POSITION STATEMENT: Testified in support of HB 176.

BRANDON OUSLEY, Chief Executive Officer
Anchorage Fracture & Orthopedic Clinic
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 176.

DIRK CRAFT, Staff
Senator Josh Revak
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 40 on behalf of Senator Revak, prime sponsor.

ACTION NARRATIVE

[3:21:14 PM](#)

CO-CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 3:21 p.m. Representatives Spohnholz, Kaufman, Schrage, McCarty, Nelson, and Snyder were present at the call to order.

HB 44-PRACTICE OF ACCOUNTING; LICENSURE

[3:22:29 PM](#)

CO-CHAIR SPOHNHOLZ announced that the first order of business would be HOUSE BILL NO. 44, "An Act relating to the practice of accounting."

[Before the committee was CSHB 44(STA).]

[3:23:11 PM](#)

REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, as prime sponsor, introduced HB 44. He explained that the National Association of the State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) provided Alaska's Board of Public Accountancy under the Department of Commerce, Community, and Economic Development (DCCED) with a summary of areas in which Alaska's statutes and regulations for public accountancy and certified public

accountants (CPAs) differ from the Uniform Accountancy Act (UAA) and AICPA's Code of Professional Conduct. He said that the statute changes under HB 44 would align Alaska's statutes and regulations for public accountancy with the national organizations while continuing to protect the public's interest by ensuring that only qualified professionals are licensed, and that appropriate standards of competency are established and enforced.

[3:25:45 PM](#)

LYNETTE BERGH, Staff, Representative Steve Thompson, Alaska State Legislature, on behalf of Representative Thompson, prime sponsor, read the explanation of changes [included in the committee packet] in the proposed committee substitute (CS) for HB 44, which read as follows [original punctuation provided]:

There are three minor changes between the original bill HB 44 version A and the blank CS of HB44 version B.

Section 19; Line 4- delete the phrase "or compilation"

Section 20, Line 28- Delete "the board" and insert "the department"

Section 43, Line 5- Delete "or compilation reports".

MS. BERGH pointed out that the sectional analysis includes 44 sections, many of which are redundant. She presented a summary of the sectional analysis [included in the committee packet], which read as follows [original punctuation provided]:

The changes in CSHB 44 are intended to better align Alaska accountancy statutes with national standards, using the Uniform Accountancy Act (UAA) as a guiding document. These changes will help ensure a uniform approach to regulation of the accounting profession in Alaska. Throughout the current accountancy statutes, there are antiquated industry terms and definitions.

CSHB 44 updates the following terms:

- "out-of-state exemption" is removed entirely to allow for firm mobility

- "Partnership, limited liability company, corporation, or other legal entity" are replaced with the term "firm"; the updated definition of firm will now include sole proprietors
- "quality review" is replaced with "peer review"
- Sections 37-43 updates/adds new definitions for the following accountancy terms:
 - o "attest function"
 - o "compilation service"
 - o "permit"
 - o "practice of public accounting"
 - o "report"
 - o "state"
 - o "preparation of financial statements"

[3:29:18 PM](#)

REPRESENTATIVE SCHRAGE asked whether an out-of-state company could provide remote service to Alaska businesses without having a physical presence within the state.

MS. BERGH deferred to Ms. Schmitz.

[3:30:11 PM](#)

LESLIE SCHMITZ, CPA, Chair, Board of Public Accountancy, Division of Corporations, Business, and Professional Licensing (CBPL), Department of Commerce, Community, and Economic Development (DCCED), responded that out-of-state firms are currently allowed to perform services in Alaska after undergoing an application process. She expressed that the removal of the out-of-state exemption and the move toward firm mobility would give the board more jurisdiction over accounting firms that provide services in Alaska. Under UAA, she said, the firms are governed by the regulations in their own states; under the proposed legislation, an Alaska consumer who experiences a problem with work performed in Alaska could file a complaint with the State of Alaska as well as with the accountant's home state.

[3:31:37 PM](#)

REPRESENTATIVE MCCARTY asked whether those firms currently licensed in Alaska are required to pay for both a "license" and a "corporate business license."

MS. SCHMITZ replied that her understanding is that there is a professional licensing fee. She deferred to Ms. Hondolero on the question of business licensing.

[3:32:38 PM](#)

CORI HONDOLERO, Executive Administrator, Board of Public Accountancy, Division of Corporations, Business, and Professional Licensing (CBPL), Department of Commerce, Community, and Economic Development (DCCED), responded that an out-of-state firm is currently required to be licensed and also to obtain an out-of-state permit. She said this proposed legislation would change that process.

REPRESENTATIVE MCCARTY asked whether individual accountants working at a licensed firm are currently also required to be licensed in Alaska.

MS. HONDOLERO replied, "Currently, yes." She clarified that individual accountants have their own licenses, and the accounting firms are also licensed.

REPRESENTATIVE MCCARTY asked whether the requirement also pertains to anyone doing business "with the state" who resides outside of the state.

MS. HONDOLERO responded that there is already individual mobility in Alaska, so this proposed legislation would allow for firm mobility.

REPRESENTATIVE MCCARTY clarified his question.

MS. HONDOLERO deferred to Mr. Neill.

[3:34:26 PM](#)

THOMAS NEILL, CPA, Chair, Uniform Accountancy Act Committee, American Institute of Certified Public Accountants, explained that firm mobility would allow firms from outside Alaska to perform services within the state. Under the mobility construct, he said, the firm would not be required to acquire a license from the state, nor would the individual certified public accountants (CPAs) be required to get individual licenses in Alaska. Depending on state tax statutes, he said, a business license may be required. He said that if he enters Alaska with a staff to do an attest service for an Alaska business, he needs

to register with the state for payroll taxes as well as file any required Alaska business, occupation, or corporate taxes. He said that the mobility construct doesn't relieve a firm from its tax burden, it just relieves the licensure requirement.

[3:35:44 PM](#)

CO-CHAIR SPOHNHOLZ asked Ms. Hondolero whether business licensing is an effective way to track non-resident accounting firms and individual accountants practicing in Alaska.

MS. HONDOLERO expressed that it's her understanding that a business license is required, but that she would research the question.

[3:36:28 PM](#)

REPRESENTATIVE MCCARTY expressed concern at the possibility of not being able to track who is doing business within the state.

[3:37:10 PM](#)

MR. NEILL offered that, in the case of a complaint filed against an out-of-state business or individual who entered Washington physically or electronically to do business, Washington may pursue the licensee in whatever state the individual is licensed in. As a result, he said, Washington doesn't lose the ability to discipline the individual or firm. He added that there is no escape from the disciplinary process, either by the individual's home state or the state they're doing business in.

[3:38:12 PM](#)

REPRESENTATIVE MCCARTY noted that in Alaska, any investigative fees incurred by professional boards are borne by those licensed by that board.

CO-CHAIR SPOHNHOLZ added that Washington is often the source of professionals practicing in other states, while Alaska is often the recipient of such services.

[3:39:14 PM](#)

REPRESENTATIVE NELSON asked when Alaska last adapted its accountancy statutes to reflect national standards.

REPRESENTATIVE THOMPSON responded that he believes it's been several years. He then deferred to Ms. Schmitz.

[3:40:03 PM](#)

MS. SCHMITZ expressed agreement with Representative Thompson. She said that the one of the larger issues is that of "quality review," which UAA has now termed "peer review."

[3:41:18 PM](#)

CO-CHAIR SPOHNHOLZ clarified that UAA means Uniform Accountancy Act and not University of Alaska Anchorage.

MS. SCHMITZ answered yes.

CO-CHAIR SPOHNHOLZ asked Ms. Schmitz to research the year of Alaska's last statutory updates.

MS. SCHMITZ said that she would have the information at the next hearing.

[3:41:48 PM](#)

REPRESENTATIVE NELSON asked whether the most recent changes dealt with issues similar to those in the proposed legislation.

REPRESENTATIVE THOMPSON responded yes. He said that there are continuing regulation changes, but changes in statute only take place every few years.

REPRESENTATIVE NELSON expressed his intent to support HB 44.

[3:42:53 PM](#)

REPRESENTATIVE THOMPSON disclosed that his wife owns a CPA firm and has served on the Board of Public Accountancy.

REPRESENTATIVE SCHRAGE made the same disclosure.

[3:43:37 PM](#)

REPRESENTATIVE THOMPSON noted that his invited testifiers would like to comment.

[3:44:00 PM](#)

LESLIE SCHMITZ, CPA, Board of Public Accountancy, Division of Corporations, Business, and Public Licensing (CBPL), Department of Commerce, Community, and Economic Development (DCCED), shared that she is an Anchorage-based CPA and is serving in her eighth and final year on the board. She stated the board's support for HB 44 and pointed out that the board worked with the Alaska Society of Certified Public Accountants to assure a transparent process in the proposed legislation, sought assistance with technical edits from the American Institute of Certified Public Accountants, and reached out to licensees and stakeholders for feedback. She said that the Uniform Accountancy Act (UAA) is an "evergreen" model licensing law developed to provide a uniform approach to regulation of the accounting profession; the proposed legislation, which closely follows UAA language, would enhance public protection and modernize terminology.

[3:46:17 PM](#)

THOMAS NEILL, CPA, Chair, Uniform Accountancy Act Committee, American Institute of Certified Public Accountants (AICPA), stated AICPA's support for the proposed legislation. He said UAA is a model act with the goal of providing the 55 licensing jurisdictions in the U.S. with a consistent framework for regulation of the CPA profession. He said that when firm mobility was first contemplated more than 20 years ago, the concern was that firms already licensed within a state would lose business to out-of-state firms; experience has shown that this did not occur. The concerns regarding potential loss of revenue to the state were also groundless, he said, because firms are required to follow state statutes regarding business, occupation, corporate, and individual taxes for both the revenue earned within the state and payroll taxes for the time the firm spent operating in the state. He said that 30 states have enacted mobility statutes and that, in his role as chair of the UAA committee, he has not heard any negative feedback. He pointed out that one of the key advantages of firm mobility for Alaska businesses would be having access to professional services.

[3:48:36 PM](#)

CO-CHAIR SPOHNHOLZ asked whether Washington's sales tax applies to professional services.

MR. NEILL said that sales tax does not apply, but business and occupation taxes do.

CO-CHAIR SPOHNHOLZ asked whether there are payroll taxes in the State of Washington.

MR. NEILL responded yes. For example, he said, his Washington-based firm is registered with the Oregon Secretary of State's office and pays corporate income taxes and individual taxes for work performed in Oregon; his employees, who then have Oregon wages, file Oregon income tax. The same types of provisions exist in Alaska, he said.

[3:50:09 PM](#)

CO-CHAIR SPOHNHOLZ announced that HB 44 was held over.

HB 176-DIRECT HEALTH AGREEMENT: NOT INSURANCE

[3:50:15 PM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be HOUSE BILL NO. 176, "An Act relating to insurance; relating to direct health care agreements; and relating to unfair trade practices."

[3:50:57 PM](#)

REPRESENTATIVE SARA RASMUSSEN, Alaska State Legislature, as prime sponsor, introduced HB 176, which would establish direct health care agreements for medical providers to provide direct primary care to patients. She emphasized that direct health care agreements do not take the place of insurance.

[3:52:21 PM](#)

CRYSTAL KOENEMAN, Staff, Representative Sara Rasmussen, Alaska State Legislature, presented the sectional analysis of HB 176 on behalf of Representative Rasmussen, prime sponsor, which read as follows [original punctuation provided]:

Section 1: AS 21.03.025 - Direct health care agreements. Adds a new section to AS 21.03 creating direct health care agreements.

Subsection (a) outlines that a direct health care agreement is between a health care provider and a government entity, individual patient, employer of a patient, or a representative of a patient. The health care agreement must:

- Describe the services to be provided by the health care provider;
- Specify the fees associated with the agreement;
- Prominently state that the agreement is not health insurance and that it does not meet health insurance mandates that may be required by federal law; and
- Prominently state that patients under the agreement are not entitled to the protections under existing state insurance statutes.

Subsection (b) allows for the policy to be terminated after a 30-day written notice from either party.

Subsection (c) provides that the direct health care agreement and health care services provided under the agreement are subject to other consumer protection statutes and regulations.

Section 2: AS 45.45.915 - Direct health care agreements. Adds a new section under Trade Practices.

Subsection (a) prevents health care providers from declining or terminating direct health care agreements based on a patient's protected class under federal or state law that prohibits discrimination.

Subsection (b) provides that a provider may decline or terminate a direct health care agreement if the provider is unable to provide the level or type of care the patient requires. The provider shall ensure the patient is transferred to a health care provider who is able to provide the level or type of care required and agrees to provide said care.

Subsection (c) provides definitions for a "direct health care agreement" and a "health care provider."

Section 3: AS 45.50.471(b) Unlawful acts and practices. Updates definitions for "unfair methods of competition" and "unfair or deceptive acts or practices" to include violating direct health agreements under AS 45.45.915.

[3:55:40 PM](#)

REPRESENTATIVE SNYDER noted that the sponsor statement uses the term "direct primary care" but the text of the proposed legislation uses the term "direct health care", which she thought may broaden the care provided beyond primary care.

REPRESENTATIVE RASMUSSEN responded that it was her understanding that a prior version of the proposed legislation was considered during the Thirty-First Alaska State Legislature but that there was the need to expand the proposed legislation to include other healthcare providers such as chiropractors and dentists.

MS. KOENEMAN clarified that both terms are used interchangeably within the healthcare industry.

CO-CHAIR SPOHNHOLZ recalled understanding that the restriction to primary care was the policy decided upon during the Thirty-First Alaska State Legislature, and that the sponsor statement is not consistent with the text of the proposed legislation.

[3:57:41 PM](#)

REPRESENTATIVE SNYDER asked whether additional regulation would be needed to enforce and monitor the implementation of the program under the proposed legislation.

REPRESENTATIVE RASMUSSEN deferred to Ms. Koeneman.

[3:58:30 PM](#)

MS. KOENEMAN replied that Representative Rasmussen's staff is working on the questions of implementation and enforcement.

[3:59:28 PM](#)

RENEE GAYHART, Director, Division of Health Care Services, Department of Health & Social Services, said that Medicaid is considered to be "comprehensive health coverage," and providers bill Medicaid for services. She said that the idea is for Medicaid to be exempt from HB 176.

CO-CHAIR SPOHNHOLZ expressed that there seems to be no clear regulatory authority, and if the proposed legislation is to cover areas of health care beyond primary care, then every board that regulates a health care provider could be involved.

[4:00:55 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community, and Economic Development, expressed agreement that various boards would be involved in regulation and oversight of the provisions under HB 176. She said that the Special Litigation and Consumer Protection section of the Office of the Attorney General would likely be involved to oversee consumer protections.

[4:02:05 PM](#)

REPRESENTATIVE NELSON asked for an explanation of how an individual would use the health care agreement.

[4:02:44 PM](#)

WADE ERICKSON, MD, Owner, Capstone Clinic, explained that a direct health care agreement is an alternate payment model. A patient pays a defined amount of money on a subscription basis, and the health care provider provides the defined service. He said that primary care has a fee of approximately \$100 per month, and the service includes "relatively unlimited access" with reduced additional costs. He said that the provider's overhead is reduced by approximately 25 percent, and hospitalizations, as well as visits to emergency rooms and urgent care centers, have been reduced significantly. He said the likely users of such agreements would be the uninsured population or those with high-deductible insurance plans, and some states are testing the model for their Medicaid programs.

[4:05:28 PM](#)

REPRESENTATIVE NELSON asked about the difference between a direct care agreement and urgent care.

DR. ERICKSON explained that urgent care is a type of primary care, usually offered by primary care physicians and defined by "open access" and extended hours. He said that agreements may or may not include urgent care, and that the defined agreement is an important aspect of the proposed legislation.

[4:07:03 PM](#)

REPRESENTATIVE MCCARTY asked whether a statute would be required in order to participate in direct care agreements.

DR. ERICKSON responded that's correct. He said that the current regulations under AS 21 are vague enough that it could be

construed that the provisions are regulated by the Division of Insurance. The purpose of the proposed legislation is to exclude that type of regulation, he said, because direct care agreements are intended to not replace or be a form of insurance.

REPRESENTATIVE MCCARTY asked about the difference between paying "out-of-pocket" and having a direct care agreement.

DR. ERICKSON answered that the difference is access. The current system is a "fee-for-service" model, existing on a cash basis. When insurance companies are involved, he said, the price offered to the insurance company is different from the price offered to the patient, especially when factoring in copays, coinsurance, and deductibles.

REPRESENTATIVE MCCARTY asked whether direct care agreements could free health care providers from being locked into contracts with insurance companies.

DR. ERICKSON replied that there are several ways in which providers and patients could enter into direct care agreements. He said that Capstone Clinic would be working on a hybrid model, accepting Medicare and Medicaid patients, and other types of patients. He said that insurance companies mandate that providers cannot have concurrent agreements with insured patients.

REPRESENTATIVE MCCARTY directed attention to the text of the proposed legislation, page 1, lines 10 through 14, which read as follows:

The health care provider may not assess charges or receive compensation other than the periodic fee for health care services and additional fees specified in the agreement. However, a patient may submit a health care insurance claim and the health care provider may assess charges or receive compensation for health care services not included in the agreement.

REPRESENTATIVE MCCARTY expressed that the text may give the provider the option to bill insurance, and he mentioned "superbills."

DR. ERICKSON replied that an insurance policy and a direct care agreement may cover different services, and that a patient may

be reimbursed by insurance for services not covered by the direct care agreement.

REPRESENTATIVE MCCARTY said that he went to Costa Rica to have a hip replacement. He then summed up his understanding of the concept of direct care agreements, and asked what services would be offered.

DR. ERICKSON responded that HB 176 is, from a contractual standpoint, intentionally vague. He said that the goal of the proposed legislation is to define direct health care agreements outside of the provisions under AS 21, subsequently allowing the free market to both define the services, and determine who provides them. He then addressed Representative Snyder's earlier note about consumer protections, and he clarified that the Department of Law would handle consumer protections, and individual provider governing boards would be in the charge of the practices.

[4:14:51 PM](#)

REPRESENTATIVE SNYDER pointed out that some states exempt direct primary care agreements from the statutory insurance code. She asked whether exempting direct care agreements from the provisions under AS 21 would streamline the regulatory process.

MS. WING-HEIER responded that doing so would make the process more complicated for the providers; they would have to file a certificate of authority with the state, provide financials and operating practices, and be subject to taxes.

[4:17:05 PM](#)

CO-CHAIR SPOHNHOLZ opened invited testimony on HB 176.

[4:17:30 PM](#)

DR. ERICKSON, having previously responded to to questions, now testified in support of HB 176. He said that the proposed legislation would benefit employers and patients, especially those with high-deductible insurance plans, and that it would increase access to care for individuals experiencing financial barriers.

[4:19:01 PM](#)

REPRESENTATIVE MCCARTY asked whether the agreements would be put in place by the clinic or by a third party.

DR. ERICKSON replied that he believes most individual clinics, like his, would be handling their own agreements.

REPRESENTATIVE MCCARTY asked, "What's a bonding element to know that those facilities are going to be good for ... the money that's being paid out?"

DR. ERICKSON asked for clarification.

REPRESENTATIVE MCCARTY asked how to ensure that a facility will provide the service for which it's being paid instead of taking money from consumers and leaving the state.

DR. ERICKSON replied that agreements have termination clauses. He said that if a clinic doesn't have a good reputation, it won't get many enrollees in its plan.

[4:21:17 PM](#)

CLINT FLANAGAN, MD, Founder & Chief Executive Officer (CEO), Nextera Healthcare, described a history of patients experiencing difficulty in accessing health care, as well as paying high co-pays or deductibles, and physicians spending time on administrative paperwork instead of taking care of patients. He said that his clinics began instituting care agreements, in which patients' primary and urgent care needs would be met in exchange for a regular, monthly fee. He explained that insurance could still be used for catastrophic health needs such as an emergency room visit or surgery, but regular care was handled through the agreement. He said that Nextera Healthcare has 30 clinics in Colorado and nearly 80 clinics across the country, and that approximately 84 percent of its members are employers.

DR. FLANAGAN pointed out that insurance is not billed for primary care. He said that in a fee-for-service practice, a doctor might see 35 patients per day, while in a care agreement practice a doctor might spend up to an hour with a patient, seeing 10 to 15 patients per day. He said that because fee-for-service doctors see more patients and don't spend as much time with them, those patients tend to see specialists more often and to have more visits to the emergency room or urgent care. He pointed out that the term "direct primary care" was defined by primary care physicians, and he stressed that a direct primary

care agreement is not health insurance. He said that the doctors are board certified and licensed through the state, and that he's never heard of a doctor taking money for an agreement and then leaving the state. He said that the client retention rate of over 95 percent.

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REPRESENTATIVE SNYDER asked for a breakdown of who ultimately pays for the agreements.

DR. FLANAGAN responded that most of the care recipients at Nextera Healthcare have memberships through employers, and that the employers typically pay 100 percent of the cost for the employee, often including dependents. He said that approximately 20 percent of the members pay for their own memberships out of pockets, and that they are often insured, with high-deductible plans. He said the average patient hits their insurance deductible once every seven years, so the care agreement members use the agreement for regular primary care and urgent care, and they use their insurance for any catastrophic health issues. He said that their doctors are available for same-day urgent care appointments, as well as after-hours care and telehealth.

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BRANDON OUSLEY, Chief Executive Officer (CEO), Anchorage Fracture & Orthopedic Clinic, shared that he is an advocate for health care savings. He said that direct care agreements allow management of health care facilities to budget, provide better service to employees, and track productivity. He said that he sees direct care agreements as proactive, prepaid medical care, and he expressed that surgery outcomes for direct primary care patients are better than those for fee-for-service patients. He said that patients in direct primary care agreements are better able to maintain their health care and remain more engaged than fee-for-service patients, who would need to pay a co-pay for every visit.

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REPRESENTATIVE MCCARTY stated that he is trying to understand the details. He expressed the opinion that by having insurance, someone is "prepaying" for health care. He asked how a direct primary care agreement would help an individual manage their health.

MR. OUSLEY explained that when health care is prepaid, the level of engagement is different, and the patient and provider are more of a team. A patient who has regular insurance, he said, may hesitate to make a doctor's appointment due to high copays or unmet deductibles. With direct primary care, it's much easier to text the clinic or set up a telehealth appointment when the bill has already been taken care of, he said. He said that surgical outcomes tend to be better because the level of engagement is higher; after a surgery the doctor and patient are able to check in often.

[4:36:19 PM](#)

CO-CHAIR SPOHNHOLZ added that surgeries have improved outcomes because people with direct care agreements address their underlying health issues, not because the surgeon uses the agreements.

MR. OUSLEY replied, "That is correct."

[4:36:53 PM](#)

REPRESENTATIVE MCCARTY asked how direct care agreements benefit providers.

[4:37:47 PM](#)

DR. FLANAGAN explained that direct care agreements mean higher fixed revenue. In a fee-for-service insurance setting, he said, the type of revenue makes it very difficult to run a clinic. During COVID-19, he said, primary care practices saw a 50 to 75 percent decrease in revenues because providers were not seeing patients face-to-face. In fixed revenue circumstances, he said, providers are spending time with patients instead of on the administrative work that goes with dealing with insurance companies.

CO-CHAIR SPOHNHOLZ noted that instead of spending time on all of the tasks that surround billing, the clinic just charges a credit card every month.

[4:40:04 PM](#)

REPRESENTATIVE MCCARTY expressed frustration with insurance billing.

[4:40:27 PM](#)

CO-CHAIR SPOHNHOLZ announced that HB 176 was held over.

SB 40-VETERANS' BENEFITS SERVICES; DISCLOSURE

[4:40:50 PM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be SENATE BILL NO. 40, "An Act relating to veterans' benefits services and veterans' benefits appeal services."

[4:41:16 PM](#)

DIRK CRAFT, Staff, Senator Josh Revak, Alaska State Legislature, on behalf of prime sponsor Senator Josh Revak, introduced SB 40. He said that SB 40 would require those who provide veteran benefit services or benefit appeal services, for compensation, to notify veterans before taking them on as a client that those services are provided for free through a veteran service organization. He said that the veteran must sign and date a disclosure affirming that he/she knows free services are available, with a civil penalty of \$1,000 per instance levied against providers who don't provide the information. He described SB 40 as aiming to increase awareness of available services for veterans, dependents, and survivors.

[4:42:31 PM](#)

REPRESENTATIVE NELSON commented that the proposed legislation was heard in the House Special Committee on Military and Veterans' Affairs and that he supports it.

[4:42:57 PM](#)

CO-CHAIR SPOHNHOLZ announced that SB 40 was held over.

HJR 19-SUPPORTING INVESTMENT IN INFRASTRUCTURE

[4:43:15 PM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be HOUSE JOINT RESOLUTION NO. 19, "Supporting widespread infrastructure investment in the state."

[4:43:48 PM](#)

REPRESENTATIVE KAUFMAN directed the committee's attention to page 1, lines 6 and 7, of the text of HJR 19, which read as follows:

WHEREAS the state received a grade of C- when last reviewed by the American Society of Civil Engineers in 2017; and

REPRESENTATIVE KAUFMAN shared that average capital spending in the 10 years before the 2017 review was approximately \$1 billion per year. He wondered how the state could spend \$10 billion on infrastructure over 10 years and end up with a grade of C-.

CO-CHAIR SPOHNHOLZ responded, "The state of Alaska has a history of building things but not always maintaining them." She shared the example of the Port of Alaska at Anchorage, which has not been maintained and is well beyond its original, planned lifespan. She pointed out that the average capital budget over the past five years was \$123 million per year, with most of it intended to attract federal highway money. She explained that the money has been used to build new infrastructure, mostly roads, instead of being used to maintain current infrastructure.

REPRESENTATIVE KAUFMAN commented that the state can't afford projects that don't serve the public good or are difficult to maintain due to design or execution. In consideration of HJR 19, he said, there may be the need for a stronger statement regarding the quality of production.

CO-CHAIR SPOHNHOLZ expressed agreement with the need to maintain projects and noted that HJR 19 doesn't address maintenance. She said that specific projects from the 2017 report include several projects for which federal funds can be used such as the Port of Alaska and water and sewer infrastructure.

REPRESENTATIVE KAUFMAN mentioned the importance of delivering value.

[4:48:55 PM](#)

The committee took an at-ease from 4:48 p.m. to 4:49 p.m.

[4:49:48 PM](#)

CO-CHAIR SPOHNHOLZ opened public testimony on HJR 19. After ascertaining that no one wished to testify, she closed public testimony.

[4:50:13 PM](#)

REPRESENTATIVE NELSON moved to adopt Conceptual Amendment 1 to HJR 19, to add the word "Senate" in between "U.S." and ";" on page 3, line 11.

[4:50:17 PM](#)

CO-CHAIR SPOHNHOLZ objected for the purpose of discussion, then removed her objection after seeking clarification. There being no further objection, Conceptual Amendment 1 was adopted.

[4:51:00 PM](#)

REPRESENTATIVE SCHRAGE moved to report HJR 19, [as amended], out of committee with individual recommendations. There being no objection, CSHJR 19(L&C) was reported out of the House Labor and Commerce Standing Committee.

[4:51:19 PM](#)

The committee took a brief at-ease.

[4:51:42 PM](#)

CO-CHAIR SPOHNHOLZ noted that the motion to report HJR 19 out of committee did not reference [that the committee had amended the proposed joint resolution]. She asked Representative Schrage to restate the motion.

[4:51:46 PM](#)

REPRESENTATIVE SCHRAGE moved to report HJR 19, as amended, out of committee with individual recommendations. There being no objection, CSHJR 19(L&C) was reported out of the House Labor and Commerce Standing Committee.

Alcoholic Beverage Control Board
Board of Social Work Examiners
Workers' Compensation Board

[4:52:07 PM](#)

CO-CHAIR SPOHNHOLZ announced that the final order of business would be confirmation hearings for consideration of the governor's appointees to the Alcoholic Beverage Control Board,

the Board of Social Work Examiners, and the Workers' Compensation Board. [The confirmation hearings commenced on 4/30/21.]

CO-CHAIR SPOHNHOLZ stated that the House Labor and Commerce Standing Committee has reviewed the qualifications of the governor's appointees and recommends that the names be forwarded to a joint session for consideration: David Koch, Alcoholic Beverage Control Board; Sharon Woodward, Board of Social Work Examiners; and Pamela Cline, Workers' Compensation Board. She said that signing the report regarding appointments to boards and commissions in no way reflects an individual member's approval or disapproval of the appointee, and the nomination is merely forwarded to the full legislature for confirmation or rejection.

[4:53:32 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:53 p.m.